

QUESTION 04

ईमानदारी के सामने आने वाली चुनौतियों को स्पष्ट करने के लिए नैतिक समझौते के एक वास्तविक जीवन के मामले का विश्लेषण कीजिए। उस मामले में नियामक एजेंसियों की नैतिक प्रतिक्रिया का मूल्यांकन कीजिए। (10 अंक, 150 शब्द)

Analyse a real-life case of ethical compromise to illustrate the challenges facing integrity. Evaluate the ethical response of regulatory agencies in that case. (10 Marks, 150 Words)

Thought Process (Pre-Writing Work)

- Parts of the question with expected marks criteria
- Directive Word(s)
- Topic Word(s)
- Limiting Words
- Writing Presentation
- Writing Interpretation

This section will be discussed in the Answer Discussion Class.

Content for Answer**Case 01: PNB scam involving Nirav Modi (2018)**

The case of the PNB scam involving Nirav Modi illustrates the challenge to integrity in the Indian Civil Service, where political interference and weak oversight enabled large-scale fraud within public sector banks. Regulatory responses, such as the Reserve Bank of India's (RBI) investigation and disciplinary actions against officials, are crucial, but the case also highlights the need for greater transparency, accountability, and a robust ethical framework to prevent such compromises effectively.

The Ethical Compromise:

- **PNB Scam:** The fraud involved Nirav Modi and his associates obtaining Letters of Undertaking (LoUs) from PNB, creating a massive financial scandal.
- **Challenges to Integrity:** This crisis exposed vulnerabilities within the system:

- **Political Interference:** Allegations of political protection and interference in the investigation suggested a compromise of integrity.
- **Weak Oversight:** Inadequate internal controls and a lack of vigilance at various administrative levels allowed the fraud to occur for a prolonged period.
- **Lack of Accountability:** Holding responsible individuals within the regulatory framework accountable was a challenge, indicating a potential gap in administrative justice.

Evaluation of Regulatory Response

- **RBI Investigation:** The RBI initiated an inquiry into the matter, which led to the identification of procedural lapses and shortcomings within PNB.
- **Disciplinary Actions:** While some officials within the banking sector faced consequences, the extent and effectiveness of these actions were debated, given the scale of the scam.
- **Limitations:** The response was primarily reactive, focusing on punitive measures after the damage was done. It highlighted that regulatory agencies struggled with proactive integrity enforcement.

Case 2: Satyam Computers Scam (2009)

The 2009 Satyam Computers scandal, where chairman Ramalinga Raju confessed to inflating assets by over \$1 billion, exemplifies the challenge to corporate integrity and trust. The scandal exposed failures in corporate governance and auditing, with PwC partners found negligent for their role. In response, regulatory bodies like the CBI pursued charges, ultimately leading to Raju's conviction, while changes to Indian accounting standards and the RBI's action against PwC were initiated to restore faith and prevent future fraud, although the initial investigative speed was criticized.

Challenges to Integrity:

- **Corporate Deception:** Raju's admission of manipulating accounts for years highlighted the profound ethical compromise and deliberate deception within the company's leadership, undermining the integrity of its financial reporting and corporate governance.

- **Audit Failure:** The scandal also exposed a significant failure in the audit process, with the auditors (PwC) being found guilty of professional negligence, showing how a compromised audit function can allow widespread fraud to go undetected.

Ethical Response of Regulatory Agencies

- **CBI Action:** The Central Bureau of Investigation (CBI) launched an investigation, filing charges and eventually leading to the conviction of Raju and others involved in the fraud.
- **RBI Sanctions:** In a related move that demonstrated the gravity of auditor misconduct, the Reserve Bank of India (RBI) banned PwC from auditing any financial company for a year due to their negligence in the Global Trust Bank case, a matter linked to the overall environment of financial malfeasance.
- **Weak Initial Response:** While charges were eventually filed and convictions secured, the initial investigation and subsequent response were perceived by some as slow, reflecting challenges in quickly addressing large-scale corporate fraud and restoring public confidence.

Candidates can go with other cases too ((e.g. Vyapam scam)

Space for Answer Discussion:

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